

Biodiesel, Vegetable
Oil, and the Wisconsin
Excise Tax

This publication explains how Wisconsin fuel tax applies to the production and sale of biodiesel and recycled vegetable oil used as motor vehicle fuel.

- 1. Q. What is biodiesel?
 - A. Biodiesel is an alternative to petroleum diesel that is made from vegetable oils and animal fats through a process called “transesterification”. Biodiesel can be used as a pure fuel or blended with petroleum and can be used in any diesel engine with little or no engine modifications. Biodiesel is most often blended with petroleum diesel in ratios of 2 percent (B2), 5 percent (B5), or 20 percent (B20). It can also be used in more pure biodiesel form (B99 or B100).
- 2. Q. Is biodiesel an “alternate fuel” for Wisconsin excise tax purposes? (B100 is considered an alternative fuel to the federal government, but lower level blends are not.)
 - A. No, biodiesel is a motor vehicle fuel under Wisconsin law since it falls under the definition of diesel as “a liquid fuel capable of use in discrete form or as a blended component in the operation of diesel-type engines in motor vehicles...”
- 3. Q. Is biodiesel subject to the motor vehicle fuel tax? Does it matter what blend?
 - A. Yes, sec. 78.01, Wis. Stats., imposes the tax on all motor vehicle fuel received by a supplier for sale in this state, for sale for export to this state, or for export to this state unless an exemption applies.
- 4. Q. Is recycled vegetable oil the same thing as biodiesel?
 - A. No, raw vegetable oil cannot meet biodiesel specifications and it is not registered with the Environmental Protection Agency as a legal motor fuel. For further information on biodiesel fuel see the National Biodiesel Board's web site at www.biodiesel.org.

- 5. Q. Is recycled vegetable oil and/or straight vegetable oil (SVO) sold or used in powering a motor vehicle subject to Wisconsin excise tax?
 - A. Yes, recycled vegetable oil and SVO used to power a motor vehicle, and blended with diesel fuel at the terminal or refinery rack is subject to the motor vehicle fuel tax at that time. If biodiesel or vegetable oil is not withdrawn or metered at a terminal or refinery rack, the questions are who reports the tax and how is it reported.

Example 1: Individual A obtains used vegetable oil from restaurants or purchases SVO. Individual A puts the oil through a filtering process. Individual A uses the recycled vegetable oil or SVO in powering Individual A's licensed motor vehicle. Individual A would report and remit the Wisconsin motor vehicle fuel tax on **Form MF-017**, line 3, Column 2, based on the number of gallons of recycled vegetable oil or SVO placed in the licensed motor vehicle.

Example 2: Company B obtains used vegetable oil from restaurants. Company B puts the oil through a filtering process. Company B dispenses the recycled oil into Individual A's licensed motor vehicle for use in powering it. Company B would report and remit the Wisconsin motor vehicle fuel tax on **Form MF-017**, line 1, Column 2, based on the number of gallons of recycled vegetable oil dispensed.

Example 3: Same facts as Example 2, except that rather than dispensing the oil into Individual A's licensed motor vehicle, Company B sells the oil in 55-gallon drums to Individual A. Individual A dumps the oil from the drum into Individual A's undyed diesel fuel bulk storage tank for use in powering Individual A's motor vehicle. Individual A would report and remit the Wisconsin motor vehicle fuel tax on **Form MF-017**, line 4, Column 2, based on the number of gallons of recycled vegetable oil blended.

Example 4: Farmer C operates a mashing unit to manufacture biodiesel from Farmer C's harvested soybeans. Farmer C uses some of the biodiesel in powering Farmer C's licensed motor vehicles. Farmer C would report and remit the Wisconsin motor vehicle fuel tax on **Form MF-017**, line 3, Column 2, based on the number of gallons of biodiesel placed in the licensed motor vehicles. Farmer C also uses some of the biodiesel in Farmer C's farm tractors. Farmer C should report these gallons on **Form MF-017**, line 10, Column 2.

Note: Biodiesel and recycled vegetable oil used in powering mobile machinery and equipment (e.g., a farm tractor) is not subject to the motor vehicle fuel tax. It is, however, subject to the petroleum inspection fee and reported on **Form MF-017**, line 10, Column 2.

Form MF-017 is available from the Department's website at www.revenue.wi.gov. To print the form, click on "Forms," go to "Excise Tax," click on "Fuel," and select **Form MF-017**. The instructions are on the reverse side of the form.

- 6. Q. What sales of motor vehicle fuel are exempt from the tax?
 - a. Gasoline and undyed diesel fuel sold to the United States government or its agencies.
 - b. Gasoline sold for off-road use in mobile machinery and equipment providing the gasoline is delivered directly into a customer's bulk storage tank in an amount not less than 100 gallons.
 - c. Gasoline and undyed diesel fuel sold to a common carrier for urban mass transportation of passengers.
 - d. Gasoline and undyed diesel fuel exported from Wisconsin.

- e. Gasoline sold for use in aircraft providing the gasoline is delivered directly into the user's bulk storage tank in an amount not less than 100 gallons.
- f. Undyed diesel fuel sold as heating oil.
- g. Undyed diesel fuel sold for use in trains.
- h. Gasoline and undyed diesel fuel sold on a Tribal Reservation to Native Americans.
- i. Dyed diesel fuel used for off-road purposes.

7. Q. What is the tax rate?

A. The Wisconsin excise tax on motor vehicle fuel as of April 1, 2006, is 30.9 cents per gallon.

The petroleum inspection fee as of April 1, 2006, is 2 cents per gallon.

8. Q. Who pays the tax?

A. Licensed motor vehicle fuel suppliers pay the tax based on (1) terminal receipts (withdrawals by suppliers from a Wisconsin pipeline terminal or (2) imports of motor vehicle fuel into Wisconsin by means other than pipeline and marine vessel destined for terminal storage [sec. 78.07, Wis. Stats.]. These persons are also required to remit the petroleum inspection fee owing on petroleum products they handle in Wisconsin. Also, any person not licensed as a supplier who either uses any motor vehicle fuel in this state or has possession of any motor vehicle fuel upon which the tax has not been paid shall be subject to the same reporting and tax payment rules as is provided for licensees.

9. Q. Do I need a motor vehicle fuel tax license?

A. Producers of biodiesel must obtain a motor vehicle fuel tax license from the Department of Revenue if acting as a "supplier" or "restricted supplier" of motor vehicle fuel in Wisconsin. Suppliers

include persons who import, manufacture or refine gasoline, biodiesel or undyed diesel fuel within Wisconsin.

To obtain a Motor Vehicle Fuel Tax License file the **MF-100 Application for Fuel License** with the Department of Revenue.

If you are using untaxed fuel products (for example, kerosene, B100 biodiesel, waste oil, heavy oil, naphthas, or solvents) in a licensed motor vehicle or blending the untaxed fuel product with taxed products (undyed diesel fuel or gasoline), register as a "**blender**" and report the fuel being used to power a motor vehicle on the **MF-017 Blender's Fuel Report And Registration Form**.

10. Q. Do I need a Business Tax Registration Certificate?

A. Yes, persons applying for a motor vehicle fuel license must hold a Business Tax Registration (BTR) Certificate. There is a one-time \$20 charge for the BTR certificate. The certificate is renewable every two years for \$10. There is no charge for the fuel license.

11. Q. Can I file a claim for refund of tax paid on biodiesel used off-highway?

A. Yes. Wisconsin law provides that motor vehicle fuel is not subject to the Wisconsin motor vehicle fuel tax when it is used for off-road purposes in mobile machinery and equipment. Farmers, construction companies, and logging operations often have off-road usage of motor vehicle fuel in nonlicensed mobile machinery and equipment. Waste management, ready-mix, liquid waste (e.g., septic service), and utility companies have licensed vehicles with power take-off units that share the same fuel supply tank used to power the vehicle. These companies can receive a refund of the motor vehicle fuel tax paid on fuel placed into the vehicles and used by power take-off units.

12. Q. How do I obtain a refund?

A. Agricultural users should file the **MF-003W Off-Road Fuel Tax Refund Claim** with the Wisconsin Department of Revenue. Claims can be filed at any time during the year, but must be filed within 12 months from the date the fuel is purchased. Refund claims submitted must be for 100 gallons or more.

Non-agricultural users should file the **MF-023W Off-Road Fuel Tax Refund Claim**. Claims can be filed at any time during the year, but must be filed within 12 months from the date the fuel is purchased. Refund claims submitted must be for 100 gallons or more.

Exceptions – Refunds may NOT be claimed on fuel purchased for use in the following vehicles:

- a. Snowmobiles
- b. Recreational motorboats
- c. All-terrain vehicles unless registered for private use
- d. Aircraft

13. Q. How do I obtain additional copies of the forms

A. Contact the following Department of Revenue offices to receive more information or forms.

To register your business:

Registration Unit
Wisconsin Department of Revenue
P. O. Box 8902
Madison, WI 53708-8902

608-261-6435

FAX: 608-267-1030

Sales10@revenue.wi.gov

To file tax returns, pay taxes, and claim refunds:

Excise Tax Section
Wisconsin Department of Revenue
P. O. Box 8900
Madison, WI 53708-8900

608-266-8242 Tax Returns

608-266-6701 Refund claims

FAX: 608-261-7049

excise@revenue.wi.gov

For More Information

See the Wisconsin Department of Revenue website at: www.revenue.wi.gov for electronic versions of all the forms and publications referenced in this fact sheet or to order printed copies.

Other helpful information regarding biodiesel can be found in the "Wisconsin Guide to Building Biofuels Facilities" at: <http://power.wisconsin.gov>.

Information on federal biodiesel tax regulations can be found at: <http://www.irs.gov/pub/irs-pdf/p510.pdf>

CAUTION

The information in this publication reflects the position of the Wisconsin Department of Revenue of laws enacted by the Wisconsin Legislature as of September 1, 2007. Laws enacted after this date, administrative rules, and court decisions may change the interpretations in this publication.